



World Chronicle

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AFRICAN ECONOMY

"Africa has to be competitive in order to be part of the global economy," says Callisto E. Madavo from the World Bank. He discusses the role of the private sector in the African economy, the new political scenario emerging in the Continent, as well as environmental and population pressures that affect most countries there.

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ANNOUNCER: From United Nations Headquarters in New York, this is **World Chronicle**, an unedited interview programme about major global issues.

Here now to introduce our guest is the host of today's **World Chronicle**.

LITTLEJOHNS: I'm Michael Littlejohns, and this is **World Chronicle**.

There is no doubt that over the last few years, the economic landscape of Africa has changed significantly. Improved policies are strengthening the momentum for the Continent's economic recovery. Despite these positive changes, many African countries are still suffering from poor income growth, as well as environmental and population pressures. In fact, more than half of Africa's population is still living in poverty. How can Africa break out of the cycle of poverty? What can the international community do to assist the Continent in its efforts to achieve rapid economic and social development?

Our guest today has a special interest in Africa's affairs. He is Callisto E. Madavo, Vice-President of the World Bank's African Regional Office. Joining me to talk with Mr. Madavo are Thalif Deen of the *Inter Press Service* and Jerome Hulé of the *News Agency of Nigeria*.

Mr. Madavo welcome to **World Chronicle**.

MADAVO: Thank you very much.

LITTLEJOHNS: Mr. Vice-President, in a recent report to the Security Council, the Secretary-General of the United Nations, Kofi Annan, in fact, the first Head of the Organization to come from sub-Saharan Africa, said that African leaders – Africans, rather – should hold their political leaders and not colonialism responsible for the civil wars and economic failures they suffer. He also said that a 'winner take all' attitude to politics have led to unequal patronage and wealth. What are your comments on that and how does this relate to the economic situation, as you guys in the World Bank see it?

MADAVO: Well, I think the Secretary-General is absolutely right. Thirty years plus after independence, it is time that the Africans take ownership position of their own future, which means participation by ordinary Africans in political and economic life, which means a constituency developing for development which then influences the leaders in the choices that they make. And I think this is absolutely the right direction to go. The good news, as I see it, coming out of the African Continent in recent years, is that we have seen an explosion of participation at various level by civil society, the private sector, in the development of Africa and I think this augurs well for the future. We've seen the emergence, as a result of this explosion, of participation of leaders that are pro-development, that are concerned about the future of their countries and I think this is another very promising development, indeed.

LITTLEJOHNS: Mr. Madavo, in the past, there is a certain suspicion on private

investment in Africa feeling that somehow, rather large international, multinational corporations were trying to rip off the African Continent. But that perception seems to have undergone quite a sea of change. Why has there been this change of attitude and is the World Bank doing anything to encourage further reaching out to private investors?

MADAVO: As you know, we have just recently been to Kampala with the President of the World Bank and some twelve heads of state and what really strike me was, whereas in the past, one of the authority at the meeting like that, there would have been a debate about the role of the private sector. That, in fact, is no longer the case. Indeed, Prime Minister Meles said, in retrospect, he has come to understand that the economies that create wealth, are the economies in which the private sectors play an important role. So I think the role of the private sector is broadly accepted now. But I want to ask you ...

DEEN: Throughout Africa, would you say?

MADAVO: Throughout Africa ... but I do want to add another element. I think our definition and our understanding of a green belt by the private sector, needs to be broadened. We're not just talking about big firms or holding firms. We're talking about domestic firms. We're talking about the informal sector. We're talking about the individual woman and individual man who has a store in which they are selling something – we're talking about macro-enterprises. So when we're talking about the private sector in Africa, we have to have a broader concept of the private sector, a bigger tent.

LITTLEJOHNS: When you say informal sector, what does that mean?

MADAVO: That is to say, the people who are self-employed by and large and do their business in ways that do not link up to the big businesses that we ordinarily see

LITTLEJOHNS: Small entrepreneurs?

MADAVO: Small entrepreneurs. In these lands of many African cities, people who hawk their ware on the streets and cities are also people in the rural areas who ran small business outfits.

DEEN: Mr. Madavo, looking at the overall picture, over the last 10 or 15 years, the World Bank, the IMF, the United Nations and the International Community has poured in millions and millions of dollars into Africa in terms of development assistance. My question is, still, there are half of the 590 million people in Africa who live in poverty, living in less than a dollar a day and of the thirty-three out of the forty-eight Least Developed Countries, the poorest of the poor are in Africa. Where did Africa go wrong?

MADAVO: I think it's very interesting to reflect a little bit on where Africa has come from. If you look at the '60s and the '70s, Africa was doing very well. Growing at a very

respectable rate, making real progress in terms of reducing poverty. Then the oil crisis hit and the other problems of the late '70s and the beginning of the '80s and Africa did not have the wherewithal – there was no way to adjust to the shocks that came into the economies and you see a lot of these economies in free-fall in the 1990's – in the 1980's. What is pleasing is that, with the determined effort of the International Community in the '80s – in the beginning of the '90s – we're beginning to see Africa turning around. We have seen growth rates of up to 5 percent in the last two years or so. This is very, very promising indeed and I think we should build on it to further accelerate this growth.

DEEN: Yes. Was this also due to single commodity economies? Most of the countries depended on the single commodity.

MADAVO: Of course, of course, this was an issue. But equally important were the policies that were being followed at that time. If you recall, these were economies that were highly centralized – highly regulated, highly controlled. What has been bringing in per share into the system in Africa now is the introduction of markets.

HULÉ: On the issue of growth, you've talked about Africa on the path to recovery now, but you also find social indicators deteriorating at the same time. What has actually happened about this and what is the World Bank doing to see to the improvement of the social indicators in the Continent?

MADAVO: Actually, you are absolutely right, that as these numbers – the aggregate levels – begin to improve, there is, in fact, a disconnect between these aggregate numbers of the economy of Kenya growing by 5 percent into what is happening to the ordinary man, the ordinary child in Kenya. What we need to do, as we accelerate growth rates in Africa, is to worry to make sure that this is the kind of growth that is going to pull the poor with it and, of course, it will take some time for that to happen. After all, we have seen this turn around over the last three years. So there will be a lag but you're absolutely right, we need to do two or three things. One, accelerate growth. Two, have that kind of growth be the kind of growth that will pull the poor with it, which means, labour intensive type of activities, which means investing in education, which means investing in health, and so on.

DEEN: When you talk of economic growth, how does economic growth stack up against population growth?

MADAVO: Well, what is very encouraging is that in 1996, for example, we have thirty-seven African countries experiencing positive GDP growth, of which thirty-three were experiencing positive per capita growth, i.e., they were growing at rates that were beyond population. But with populations growing at three percent in Africa – and this economy is

growing at five percent – the space that we are creating is still too limited. What we need to do is to accelerate this growth to something of the order of 7-8 percent. Then, we'll begin to see the differential emerging that will create the space and the wealth for these countries to address poverty.

DEEN: Is three percent the largest growth in your region, in terms of population growth?

MADAVO: In terms of population, it is at the high end, yes.

LITTLEJOHNS: Mr. Madavo, in the introduction, we spoke about environmental, as well as population pressures. Can you tell us a bit about the environmental pressures and what the World Bank and the African countries are doing to address those problems?

MADAVO: Well, for Africa, in fact, the environmental issue is an issue that is a nexus between on one side, population – population growth, that we're talking about. On the other, agriculture and availability of arable land. The nexus works this way to the extent that we're having tremendous population growth in countries where agricultural land is limited. Then you have the encroachment, in fact, of population into areas that are less likely to be productive. You have then competition between population and say, areas that have tended to be reserved for wildlife. You have competition between population and economic needs with areas that husband some of our richest tropical forest. So, in a certain sense, African countries need to address population. They need to address agriculture and then they need to address, much more directly, areas of the environment such as soil fertility, forestry, and so on.

LITTLEJOHNS: Is there a sufficient consciousness on the part of the leaders of Africa, all these environmental problems of – or do they take a rather short-term attitude and feel that it doesn't matter what's going to happen to the environment in the future, as long as we grab what we need now.

MADAVO: No. I think what is very encouraging is that there has been a growing awareness, not only on the part of African leaders but also on the part of civil society in Africa, so that there is a constituency at the grass-roots level for environment and for sustaining the environment. It's very interesting that I was just watching, two nights ago, a film on television that dealt with this programme in Southern Africa where authorities are working with populations at the local level to conserve wild life. In fact, the film I was watching concentrated on my own country, Zimbabwe, where some very, very good stories are being written and I underline this, because, I think the future of the husbanding of the environment will depend on the extent to which we grow the constituency at the grass-roots as well as, of course, the leaders.

LITTLEJOHNS: This is **World Chronicle**. Our guest is Callisto E. Madavo, Vice-President of the World Bank's African Regional Office. Jerome?

HULÉ: Yes, I want to take you to the issue of reforms in Africa. One accompanying aspect of this reform has been the problem of the industrialization, because it has actually coincided with the reforms that have been implemented in Africa and even the recovery that we're talking about has not touched the industrial sector. It's curious to me that this should be happening in this age.

MADAVO: I think, this is a major issue of African development looking to the future. But let's look back a little bit – what kind of industries, what kind of manufacturing was prospering in African countries? It was the kind of manufacturing that was prospering under very high protective walls and to the extent that Africa is going to join the global economy. Africa has got to be competitive. We have, therefore, to grow a new generation of industries and manufacturing and other areas that are competitive that are going to be a part of the global economy, because in an era in which one could live behind protective walls, that era is gone and, I believe, it's gone forever.

HULÉ: What I am talking about is the fact that you find even the growth is in the primary sector agricultural m $\acute{e}$ l $\acute{e}$ e, industry has completely been left out. How do you revive the industrial sector in Africa now?

MADAVO: But, in fact, that is not true across the board, you know. Some of the time, we tend to talk of Africa as if it is one country. As we know, Africa has many countries. In fact, if you look very carefully, you will find that there are countries that are beginning to build a manufacturing base. But based on the small competitive platform that I have been talking about, and that's where we ought to focus, we ought not look to the past – we ought to look to the future. We ought to invite Africans to join the global economy on a competitive basis, because unless they do so, they're going to be marginalized.

DEEN: Mr. Madavo, one of the issues that has come up or keeps coming up, is military spending in Africa. Tell me, how high is military spending in Africa and what impact does it have on development in the Region?

MADAVO: Well, clearly, there have been a number of countries where military expenditures are excessively high. When you get countries that are spending something much over four percent or so of their GDP on the military, then you have countries that are, in fact, probably spending much more on the military than they need to.

DEEN: That's pretty high – four percent.

MADAVO: You know, it would be quite high. On the other hand, I think we

also are going take account of the fact that there are countries that are now just emerging from conflict , where there are real security issues. I think we need to have a balanced approach of working with these countries so that over time, they can obviously reduce defensive expenditures and reallocate those resources to development, to sanitation, health, and so on.

DEEN: Didn't the World Bank, at one time, consider military spending as a conditionality for development assistance? Was that proposal before the World Bank some time ago?

MADAVO: It has never been a condition in this negative way that you're talking about. But we have approached the issue of military expenditures indirectly in the following sense that when we have sat down with governments and looked at their budgets, we have asked questions around the proportions of the budget that are going to development and by implication, asked questions about the portions of the budget that are going to other uses.

DEEN: Are they transparent - the military budget ?

MADAVO: Well, there's never a country where these kinds of budgets are very transparent whether it is in the developing countries or in the developed countries, I'm afraid. But we make the best use of the information available and, in fact, where we have approached this constructively in the spirit of dialogue, we have made considerable progress and have had considerable impact.

LITTLEJOHNS: Mr. Madavo, let's talk a bit about democracy. The African countries, in the past, have been well-known -- of course Africans are not well-known in this respect -- but well-known for authoritarian regime and there seems to be a rise of democratization in the Continent. I presume that the World Bank is doing what it can to encourage this trend. How important is it in its impact on the economic future of the Continent?

MADAVO: Before I comment on the importance of democratization and the link to economic prosperity, let me just say that, interestingly enough, the history of the kinds of regimes you have talked about has also, in fact, been very much experienced in the other parts of the developing world, but, nonetheless this has been an issue in Africa and I think Africans and I, as an African, accept that. We, of course, don't directly deal with issues in the political arena.

LITTLEJOHNS: But you can sort of quietly, behind the scenes, do things to encourage that trend, right?

MADAVO: No, but we can work with others. We can work in partnership

with others who have mandates and the ability to deal with those areas so that, as we deal with the economic side, they deal with issues of political governance and that we reinforce the efforts of these countries to move forward. Let me give you a concrete example. For example, if you take a country like the Democratic Republic of the Congo where you have issues of political governance, you have issues of economic development reconstruction, you have issues of humanitarian and human rights issues, in a certain sense, progress needs to be made in all these three areas if the Democratic Republic of the Congo is going to stabilize and prosper. The World Bank is not – does not have a mandate in the political governance area or in the human rights area. So what we do is we work with those agencies in the UN system, for example, who were remanded in these areas. So partnership has become critical to progress in development issues in Africa.

HULÉ: Yes, there's something more – the quality of the democracy faction in Africa. You find you have governments selected by the people, but yet these governments are not so accountable to the people. I think this also impacts on the government. Don't you think there's need to do more in improving the quality of democracy in Africa?

MADAVO: I absolutely agree. There's need to do more and the good news is that the International Community, as a whole, has in fact been working with Africa to improve democratization. For our part, we have been making a small contribution in this area by encouraging participation. Participation in the formulation of economic development programmes. Participation in the design and in the implementation of development projects because then this shift the accountability to the grass-roots and to the people and this can only benefit the democratization process broadly defined.

DEEN: The donors have occasionally said that a sizable proportion of development assistance go even the way to Africa or Asia or Latin America has not gone to the grass-roots level to the people it was intended for. And it has gone, probably, to benefit some of the leaders. How valid is this argument?

MADAVO: Well, it is a valid argument. It is a valid argument. And it is, in fact, the impulse that has led Mr. Wolfensohn to come as ...

LITTLEJOHNS: The Head of the World Bank.

MADAVO: The President of the World Bank ... to come out very clearly on the issue of corruption, for example, because it's part and parcel of the kind of problem that you are pointing to. I think we need to bring about greater transparency. I think we need to ensure, in fact, that the resources that are made available for development reach the people and, again, I think one of the keys to this is making sure that people participate in the

development of articulation of development programmes -- to participate in the design of development projects and, indeed, in their implementation.

DEEN: And the World Bank has a monitoring system to monitor how the end goes?

MADAVO: We have a very tough monitoring system where very tough procurement system are governing the way in which contracts, bidding, are awarded in the work -- in the project -- that we finance. We supervise these projects very closely including requiring accounts and auditing, so we follow very, very closely the use of our resources and, if we find a situation in which a government or an agency has misused our resources, we promptly cancel those projects. So we are very, very strict in terms of follow-through, where we think there has been a misbehaviour.

LITTLEJOHNS: Mr. Madavo, I see in the background paper on your activities, that you're trying to show investors that Africa can, not only succeed economically but is, in fact, the world's last great developing market. That's quite a claim. Are you getting -- having success in convincing investors that this is indeed the case and that if they're smart, they will move in while the opportunity exists?

MADAVO: I think, basically, what we are trying to do is the following: isn't it that -- I don't know about you -- but for me, I pick up the Washington Post, I pick up the New York Times, I pick up the Financial Times -- and in the past, the picture that you see of Africa, the image that you see of Africa is one of civil strife, instability ...

LITTLEJOHNS: An international basket case, as they used to say.

MADAVO: An international basket case. What we are trying to say is that things are changing in Africa. That there are countries that are beginning to put in place environments where the private sector can prosper and make money. And that if, in fact, we get more and more of these countries doing these in a continent Sub-Sahara Africa of 600 million people, there's a potentially large market there and that perhaps the private sector should look again at places like Uganda, places like South Africa, places like Ethiopia now.

LITTLEJOHNS: The Ivory Coast, Côte d'Ivoire ...

MADAVO: Côte d'Ivoire, Mozambique ...

HULÉ: Botswana?

MADAVO: Botswana.

LITTLEJOHNS: Botswana is a good example of democracy, by the way.

MADAVO: It's a good example of democracy, excellent economic management, prosperity, and a very stable environment for the private sector. So the point that

we are trying to make to the private sector is: Look at Africa again. Things are changing. The opportunity is there, there is money to be made, there's a potential market. It would be good for you but it will also be good for the people of Africa.

LITTLEJOHNS: So in a sum, you are saying that the situation is very encouraging. You're optimistic about it and smart governments, smart entrepreneurs, smart members of the private sector ought to get in while they can because the future is very rosy.

MADAVO: That there are certainly countries where that description fits. It does not fit every country on the Continent.

LITTLEJOHNS: Mr. Madavo, that's all the time we have. Thank you for being with us on this edition of **World Chronicle**. Our guest has been Callisto E. Madavo, Vice-President of the World Bank's African Regional Office. He was interviewed by Thalif Deen of the *Inter Press Service* and Jerome Hulé of the *News Agency of Nigeria*.

I'm Michael Littlejohns. Thank you for joining us. We invite you to be with us for the next edition of **World Chronicle**.